



FOOD FAIR STORES, INC.

*1965 Annual Report*



The new Food Fair label is another dramatic first in the food industry. Not only is the design color coordinated to identify the various departments, but each label bears at least one recipe original from the "Golden Kitchens of Food Fair," suggesting a sometimes unique, but always practical, method of serving the product.

This consumer program will be supplemented by a monthly menu and recipe service which will also provide cooking hints, party ideas and other suggestions that the Food Fair homemaker might find useful in her domestic routine.



FOOD FAIR STORES, INC.

# *1965 Annual Report*

FOR THE FISCAL YEAR ENDING MAY 1, 1965

## THE YEAR IN BRIEF

FISCAL YEAR	(52 Weeks) <b>1965</b>	(53 Weeks) 1964
Sales	<b>\$1,119,640,332</b>	\$1,105,394,153
Net Income	<b>\$ 8,847,385</b>	\$ 7,356,146
Special Credits	<b>\$ 389,000</b>	\$ 2,677,872
Net Income and Special Credits	<b>\$ 9,236,385</b>	\$ 10,034,018
Per Share of Common Stock*:		
Net Income	<b>\$1.23</b>	\$1.02
Special Credits	<b>\$ .06</b>	\$ .38
Net Income and Special Credits	<b>\$1.29</b>	\$1.40
Dividends Paid in Cash:		
Preferred Stock	<b>\$ 198,366</b>	\$ 203,836
Common Stock	<b>\$ 6,318,229</b>	\$ 6,303,225
Earnings Retained in the Business	<b>\$ 2,719,790</b>	\$ 3,526,957
Current Assets	<b>\$ 146,130,881</b>	\$ 135,517,072
Current Liabilities	<b>\$ 70,021,734</b>	\$ 62,129,691
Working Capital	<b>\$ 76,109,147</b>	\$ 73,387,381

\*Based on shares outstanding at May 1, 1965

### ANNUAL MEETING

The annual meeting of shareholders of Food Fair Stores, Inc. will be held Tuesday, August 17, 1965, at 2 P.M., E.D.T., in the Meeting Room of the Company's corporate headquarters, 3175 John F. Kennedy Blvd., Philadelphia, Pennsylvania. Shareholders are cordially invited to attend.

A formal notice of the meeting, a proxy, and a proxy statement are enclosed. Shareholders unable to attend are urged to date, sign, and return the proxy promptly so as to be assured of representation at the meeting.

## TO THE SHAREHOLDERS OF FOOD FAIR STORES, INC.



Samuel Friedland



Louis Stein

The fiscal year which ended May 1, 1965, encompassing 52 weeks as against the 53 weeks of the previous year, was marked by the achievement of record high sales volume and a significant improvement in net income from operations, despite the curtailing effect of an industry-involved strike in the first quarter.

The consistent recovery after the initial quarter brought operating earnings for the year to \$1.23 per common share compared with \$1.02 per share in the 1964 fiscal year, which contained an additional week.

In our store expansion program, we added 27 units in various areas of our operations. Six of these were large J. M. Fields department stores and the balance were food markets. Forty-three stores were also extensively remodeled. No equity financing was required for these programs. At the year-end, our Company was operating a total of 587 units, of which 53 were J. M. Fields department stores and 45 were units of the Fox Markets, Inc. chain controlled by Food Fair. Shareholders will find a state-by-state breakdown of all our stores in this report.

After two years of moderate expansion, we are stepping up the pace in the current fiscal year. Our schedule calls for the addition of approximately 50 new food stores and three J. M. Fields department stores.

Continuing to receive priority attention are the programs to streamline our operations, to develop management personnel, to improve efficiency, and to increase the effectiveness of our merchandising and sales promotional efforts. These programs range from more efficient and cost-saving receiving and materials handling techniques, at our warehouses and stores, to more sophisticated uses of our electronic data processing equipment. They also range from a new manufacturing facility to provide efficient, straight-line production of fast turnover, private label items to a new, dynamic marketing program highlighting our re-designed private label products.

The interruption of a 25-year record of labor harmony is now behind us. While the Company will continue to strive for fair and equitable labor contracts, we do not foresee any serious problems in the year ahead.

Your management has every reason to anticipate a year of continued progress. We have set as our goals for fiscal 1966, record sales volume and a further improvement in earnings. Their achievement will reflect, as they have in the past, the enthusiastic and dedicated efforts of Food Fair's personnel in every area of our operations. To these men and women, the directors and officers express their deep appreciation. We also extend our warmest thanks to Food Fair's many suppliers and shareholders for their continued interest and support.

Sincerely,

*Samuel Friedland Louis Stein*

Chairman of the Board

President

July 26, 1965

## FINANCIAL REVIEW

**SALES AND EARNINGS** Consolidated sales for the 52-week fiscal year ended May 1, 1965, achieved a record high of \$1,119,640,332 compared with sales of \$1,105,394,153 in the 53-week previous fiscal year.

Net income rose to \$8,847,385, the equal of \$1.23 per share on the 7,025,516 number of common shares outstanding at the year end. This represents an increase of 20.3 percent over net income of \$7,356,146, or \$1.02 per share on the same share basis in fiscal 1964. Net income is stated exclusive of special credits for both years.

Sales and earnings from operations, although showing gains over the previous year, were nevertheless effected by the industry work-stoppage occurring in the first quarter of the year in the Baltimore-eastern Maryland area.

The consolidated statements include the operations of Fox Markets, Inc., Los Angeles-based chain.

**DIVIDENDS** Annual dividends of \$4.20 per share on the preferred stock and \$.90 per share on the common stock were paid during the last fiscal year, on a regular quarterly basis. Total dividends on the preferred and common stocks for fiscal 1965 amounted to \$6,516,595. At the year-end, there were 17,222 Food Fair shareholders.

**FINANCIAL POSITION** Food Fair's strong financial condition again enabled the Company in fiscal 1965 to complete its store expansion and remodeling program without the necessity of equity financing. Working capital at the year-end increased to \$76,109,147 compared with \$73,387,381 the previous year. The ratio of current assets to current liabilities was 2.1 to 1.

**CAPITALIZATION** Common stock outstanding at May 1, 1965, amounted to 7,025,516 shares as compared with 7,003,810 shares outstanding at May 2, 1964.

The Company retired 1,700 shares of preferred stock in fulfilling its sinking fund obligations. On January 1, 1965, the Company also made a final payment of \$2,578,000 to complete the retirement of its 3% debentures issued in 1950 in the amount of \$8,000,000.

After the approval by shareholders of a qualified stock option plan for key management personnel, options for 297,895 shares of common stock were distributed on January 5, 1965. The options are exercisable beginning January 5, 1966, and terminating January 5, 1970.

Stockholder equity increased to \$99,429,141 at the year-end as compared with \$96,917,898 at the end of the previous year.

## REVIEW OF OPERATIONS

**GROWTH CONTINUES** In fiscal 1965, a total of 27 retail food and department store units were added in Food Fair's various areas of operations. Of these, 16 were food markets and six were J. M. Fields quality discount department stores, in the Eastern regional area, and five were food stores on the West Coast.

The new supermarkets joining the 11-state Eastern chain averaged 15,000 square feet of sales area, offering approximately 8,000 food and non-food items. All the new units are located within the service areas of the Company's present distribution centers.

Concurrent with new store construction, 43 older



*This new J. M. Fields unit in Tallahassee, Fla., one of six added to the department store chain last year, provides gross sales area for general merchandise of 65,000 square feet and a food department of 20,000 square feet. A gas station and automotive center on the parking lot, which accommodates 1,360 cars, are added customer services.*

markets were extensively remodeled to make them more efficient and to enhance their profitability.

During the fiscal year, 15 outmoded food stores and two J. M. Fields service stores were closed. At the year-end, Food Fair operated 489 food markets and 53 J. M. Fields department stores in 14 Eastern regional states and 45 units in the California-Nevada region, for a total of 587 units.

In the summer of 1964, construction started on a new

manufacturing plant to supply pretzels, potato chips, peanut butter and nutmeats for Food Fair stores. A two-story structure comprising 160,000 square feet, the new facility will provide highly efficient, straight-line production for these fast turnover items. Delivery of potato chips started last May and other items are expected to be in production by mid-summer.

**DEPARTMENT STORE OPERATIONS** Extending Food Fair's experience in mass distribution techniques to general merchandise retailing, the Company in 1961 acquired the 33-unit J. M. Fields department store chain. Since then, 25 new units have been added, and



five smaller type stores were closed. Of the new units, 10 have food departments within the store, and these units average 120,000 square feet of sales area. Overall average of other units is 75,000 square feet of sales space. Fourteen of the new stores are adjacent to Food Fair markets.

All of the departments within the J. M. Fields stores are operated by the Company, with the exception of a few specialty services and automotive centers, of

*Sparkling interior, spacious aisles, and colorful displays make shopping pleasant in this southern California Food Fair, one of 40 food units and five drug stores in the Company's West Coast area of operations.*

## REVIEW OF OPERATIONS

which there are 17. Merchandising policies are geared to attract the broadest strata of families in middle-income levels. From notions to large appliances, quantity merchandise is offered at discount prices.

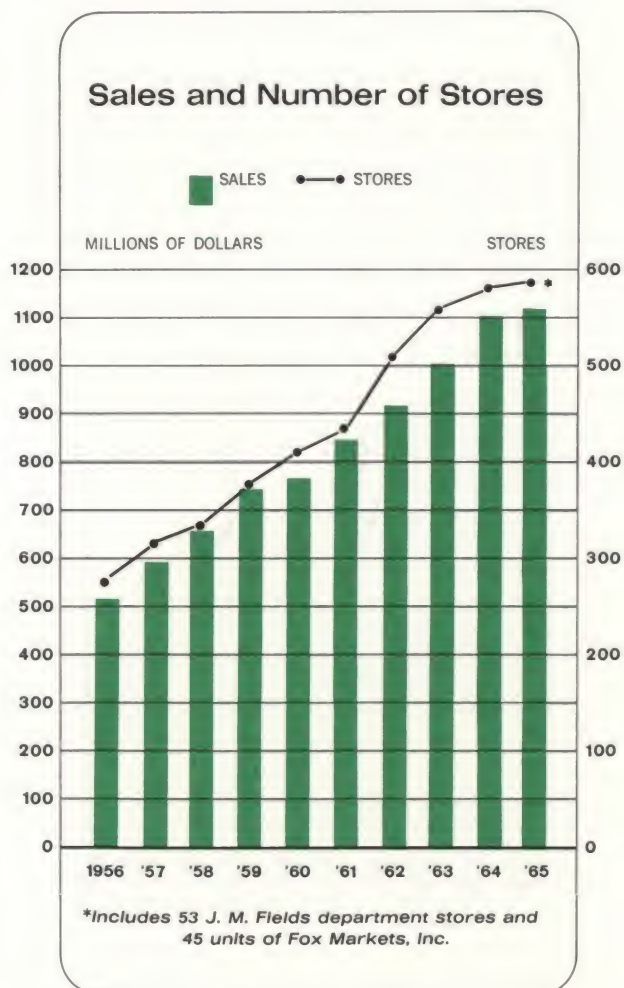
During the year, finance and accounting functions were transferred from J. M. Fields headquarters in Boston to the Food Fair Building in Philadelphia. With the removal of purchasing, store operations, and other headquarters departments to the New York offices, the Boston facilities have been closed.

Sales of the J. M. Fields division have increased steadily and an improved contribution to corporate earnings was achieved last year.

**WEST COAST OPERATIONS** Starting with six food markets in discount centers, Food Fair as of May 26, 1963, acquired controlling interest in the reorganized Fox Markets, Inc., consisting of 28 large food markets and five drug stores. Expansion in the area has already added seven food units, which, after the closing of one store, brought the total at the 1965 fiscal year-end to 40 food markets and five drug stores. In the spring of 1964, a program was completed to change the trading name of Fox Markets stores to Food Fair. The current fiscal year calls for the addition of nine new food stores.

**NEW MARKETING PROGRAM** An intensified marketing program was begun during the past year with the establishment of a Marketing Department. Private label sales, advertising, sales promotion, public relations and other marketing functions came under careful study and re-evaluation. The impact of the intensified marketing efforts resulting from this analysis should be felt early in the coming year. The new Food Fair private label design concept is already seen in our stores as the newly packaged items appear on our grocery shelves. Also emanating from this study is a new program of shelf display of national brand items which will give our stores a stronger variety appearance for better customer service. This repositioning program is being carried out concurrently with the arrival in the stores of the redesigned Food Fair-labelled merchandise.

**WAREHOUSING AND DISTRIBUTION** The important task of maintaining an efficient service of supplying merchandise to Food Fair's Eastern network of stores is carried out through five distribution centers, in Philadelphia, Pa., Linden, N.J., Baltimore, Md., Jacksonville and Miami, Fla. New distribution techniques involving materials handling are constantly researched, tested, and implemented in the continuous effort to





reduce costs, increase efficiency, and improve the quality of service rendered. In recent years, studies in warehouse receiving of unitized loads of merchandise direct from manufacturer-suppliers have demonstrated its ability to increase the efficiency of receiving operations. During the past fiscal year, this program, in cooperation with manufacturers, was accelerated and 25 percent of all merchandise is now received in this manner. The program will continue to be expanded.

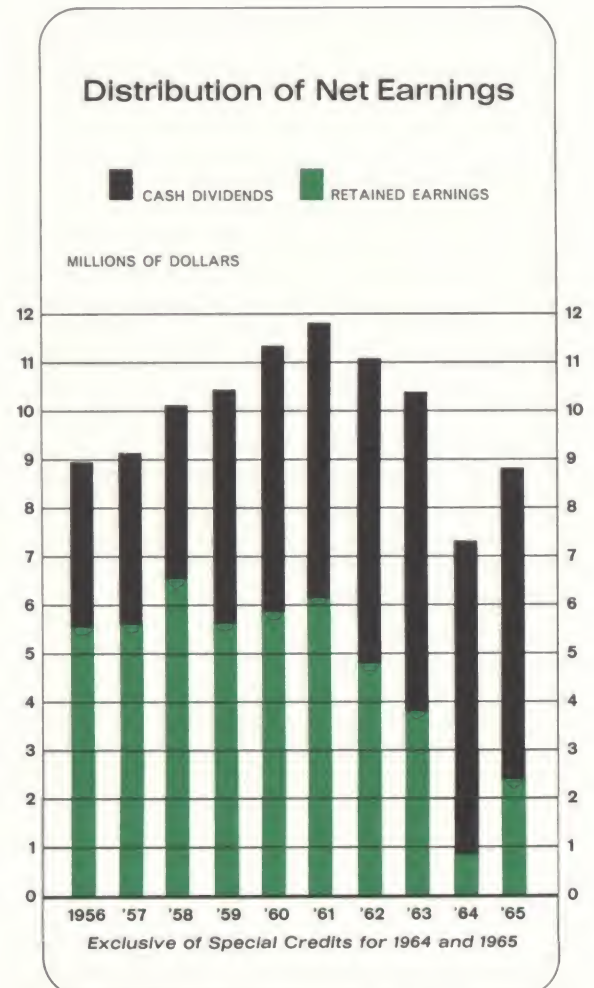
Good progress is also being made in the delivery to stores of palletized loads. Receiving areas of new stores are now designed to utilize this method of delivery and the program is being extended to existing stores. Another aspect involves efforts to reduce still further the time required to order and deliver merchandise. Various approaches to this problem, including the expanded use of electronic data processing equipment, are being tested. The objective is to increase our warehouse inventory turnover and substantially reduce store inventories.

The need for better refrigeration control in vehicles used in delivering perishable merchandise led to our active interest in new developments in this field. Last year, a program was initiated to install a system which utilizes liquefied nitrogen as a refrigerant. This system reduces spoilage and provides other economic advantages.

**MANAGEMENT DEVELOPMENT** Training and development of management personnel continues to receive considerable attention. Educational programs, centered around practical aspects of our business, are undertaken with key operations supervisors to help prepare them for positions of higher responsibility. A recent program, comprising formal classroom sessions and home study work, is designed to further their understanding of labor relations and the provisions of Food Fair's labor contracts. Another study course is devoted to the proper implementation of store operation policies for improved productivity.

Key management personnel are constantly under appraisal through the management evaluation and development program. Utilizing performance ratings, aptitude testing, and work experience reviews, executives are provided with evaluation information on management personnel who demonstrate a potential for advanced positions.

To keep pace with expansion plans, the formal store manager training program has been stepped up and intensified to graduate technically capable store managers in a shorter period of time. Most trainees are selected from the ranks. In the continuing development



## REVIEW OF OPERATIONS

of store personnel, on-the-job training is combined with review study of special departmental manuals, followed by written examinations.

Additional opportunities for full-time personnel at all occupational levels for formal academic training in fields related to their present duties or to which they might advance are provided by Food Fair's self-improvement program. To encourage this educational process, tuition assistance is provided. There are approximately 30,000 Food Fair employees.

**COMMUNITY SERVICE** Through its own programs and through cooperation and support of community endeavors, Food Fair gives recognition to its responsibility as a good citizen and neighbor. Since 1954, opportunities for promising high school graduates to continue their education have been provided through a scholarship program administered and financed by the Food Fair Stores Foundation. In the last academic year, 245 youths were recipients of Food Fair scholarships at 31 universities and colleges in states served by our stores. The Foundation also maintains the Food Fair Chair in Marketing at the University of Florida.

Food Fair provides support on a continuing basis for a number of other programs which benefit youngsters and, eventually, the communities. Sponsorship of 75 Little League and Babe Ruth teams last year enabled some 2,000 boys to play baseball under conditions which encourage the development of fair play and sportsmanship. Food Fair also sponsors a Junior Olympics Track and Field Championship Meet, supervised by the Amateur Athletic Union (AAU). This annual event continues to grow, and last year approximately 8,000 school boys and girls in the tri-state area of eastern Pennsylvania, southern New Jersey, and northern Delaware competed in the regional qualifying meets and the finals held at Franklin Field in Philadelphia.

An endeavor of far-reaching significance to the food industry, consumers, and the nation was climaxed last April with the dedication of the Academy of Food Marketing at Saint Joseph's College in Philadelphia. In the founding, planning, and establishment of this unique educational institution, a leading role was played by Food Fair's Executive Vice President Myer B. Marcus. Serving as chairman of the Academy's Board of Governors, Mr. Marcus' zealous efforts resulted in industry-wide cooperation and support. The Academy's degree-receiving graduates, broadly educated in the liberal arts and majoring in food marketing, are expected to be an important source of future food industry executives.



**OUTLOOK** A stepped-up store expansion program is planned for the current fiscal year. The store remodeling program will also continue on an extensive scale. An intensified marketing program highlighted by more dynamic merchandising methods has already been initiated. Other innovations and experimentation in the various aspects of our operations are being



*The application of the newly-designed corporate pattern to Food Fair's trailer-trucks is demonstrated in this photo. In transit, the trailer becomes a billboard on wheels to gain added public exposure for the private label design concept introduced on store shelves.*

vigorously pursued in the constant search to improve efficiency and productivity and reduce operating costs. Management is confident that the programs initiated and others to be implemented will offset the pressures against profit ratios brought about by strong competition and rising costs.

An increased rate of sales and further improvement in profit contribution to the corporation is anticipated from each operating division. Your management looks forward with a good deal of confidence to a continuation of Food Fair's progress and, barring unforeseen events, hopes to achieve a new record high in sales and advanced earnings for the fiscal year currently underway.



*Newly constructed manufacturing facility located in Salem County, New Jersey, provides efficient, straight-line production of such high quality, popular items as potato chips, pretzels, peanut butter and nutmeats.*

# Statistical Summary

## FOOD FAIR STORES, INC. AND SUBSIDIARIES

(all dollar figures are in thousands)

Year Ended	Stores at Year-End	Sales	Net Income	Cash Dividends	Earnings Retained
May 1, 1965	587†	\$1,119,640	\$8,847‡	\$6,516	\$2,720
May 2, 1964*	577	1,105,394	7,356‡	6,507	3,527
April 27, 1963	551	1,003,344	10,370	6,500	3,870
April 28, 1962	504	923,224	11,055	6,279	4,776
April 29, 1961	437	840,180	11,865	5,647	6,218
April 30, 1960	404	771,172	11,395	5,528	5,867
May 2, 1959*	368	733,960	10,396	4,928	5,468
April 26, 1958	332	654,829	10,122	3,529	6,593
April 27, 1957	310	592,460	9,030	3,444	5,586
April 28, 1956	275	517,289	8,923	3,347	5,576
April 30, 1955	250	443,880	7,734	2,565	5,169

\*53 Weeks.

†Includes 53 J. M. Fields department stores and 45 units of Fox Markets, Inc.

‡Excludes special credits of \$389,000 in 1965 and \$2,677,872 in 1964.



CONSOLIDATED STATEMENT OF

*Income*

FOOD FAIR STORES, INC. AND SUBSIDIARIES

	52 weeks ended May 1, 1965	53 weeks ended May 2, 1964
Sales .....	<b>\$1,119,640,332</b>	\$1,105,394,153
Cost of sales .....	<b>900,120,064</b>	894,799,934
Gross profit from sales .....	<b>\$ 219,520,268</b>	\$ 210,594,219
Operating expenses .....	<b>202,093,376</b>	195,852,112
Profit from operations .....	<b>\$ 17,426,892</b>	\$ 14,742,107
Other income .....	<b>1,263,168</b>	1,326,719
Profit before interest expense .....	<b>\$ 18,690,060</b>	\$ 16,068,826
Interest expense .....	<b>3,352,546</b>	2,910,715
Net income before income taxes, minority interest and special credits .....	<b>\$ 15,337,514</b>	\$ 13,158,111
Federal and state income taxes (Note 6) .....	<b>6,169,149</b>	5,444,583
Minority interest in income of subsidiary .....	<b>320,980</b>	357,382
Net income .....	<b>\$ 8,847,385</b>	\$ 7,356,146
Special credits:		
Excess of equity over cost of investment in subsidiary company (Note 7).....		1,868,872
Federal income taxes (Note 8) .....	<b>389,000</b>	809,000
Net income and special credits .....	<b>\$ 9,236,385</b>	\$ 10,034,018

CONSOLIDATED STATEMENT OF

*Retained Earnings*

FOOD FAIR STORES, INC. AND SUBSIDIARIES

Balance at beginning of period .....	<b>\$47,447,788</b>	\$43,920,831
Net income and special credits for the period .....	<b>9,236,385</b>	10,034,018
	<b><u>\$56,684,173</u></b>	<u>\$53,954,849</u>
Deduct:		
Cash dividends:		
Preferred stock .....	<b>\$ 198,366</b>	\$ 203,836
Common stock .....	<b>6,318,229</b>	6,303,225
	<b><u>\$ 6,516,595</u></b>	<u>\$ 6,507,061</u>
Balance at end of period .....	<b><u>\$50,167,578</u></b>	<u>\$47,447,788</u>

CONSOLIDATED STATEMENT OF

*Financial Condition*

FOOD FAIR STORES, INC. AND SUBSIDIARIES

	<u>May 1, 1965</u>	<u>May 2, 1964</u>
<b>Current assets:</b>		
Cash .....	\$ 14,914,700	\$ 19,390,611
Marketable securities, at cost .....	348,405	348,405
Accounts receivable .....	22,770,073	20,070,019
Inventories, at lower of cost or market .....	102,621,161	90,015,271
Prepaid expenses .....	5,284,175	5,309,431
Properties completed and under construction covered by commitments to purchase and lease back, net of payments received on account, 1965, \$13,000,000; 1964, \$8,000,000 .....	192,367	383,335
	<u>\$146,130,881</u>	<u>\$135,517,072</u>
<b>Less current liabilities:</b>		
Accounts and notes payable .....	\$ 44,958,998	\$ 39,662,399
Accrued salaries and expenses .....	21,251,724	20,732,841
Federal and state income taxes payable (Note 6) .....	3,811,012	1,734,451
	<u>\$ 70,021,734</u>	<u>\$ 62,129,691</u>
<b>Working capital</b> .....	<u>\$ 76,109,147</u>	<u>\$ 73,387,381</u>
<b>Other assets:</b>		
Investments, at cost:		
Capital stock, Food Fair Properties, Inc. ....	4,244,444	4,244,444
Other .....	3,208,789	2,513,312
Property, plant and equipment, at cost, less accumulated depreciation, 1965, \$78,075,635; 1964, \$71,437,707 .....	83,454,469	86,196,761
Miscellaneous .....	3,685,772	3,237,255
	<u>\$170,702,621</u>	<u>\$169,579,153</u>
<b>Deduct:</b>		
Mortgages and notes payable, due after one year .....	\$ 25,689,361	\$ 26,855,838
Debentures payable, due after one year (Note 2) .....	35,698,300	36,517,500
Liability for redemption of trading stamps, less portion included in accrued expenses .....	2,400,000	2,400,000
Deferred Federal income taxes .....	4,365,000	3,844,500
Minority interest in subsidiary (Note 1) .....	3,120,819	3,043,417
	<u>\$ 71,273,480</u>	<u>\$ 72,661,255</u>
<b>Net assets</b> .....	<u>\$ 99,429,141</u>	<u>\$ 96,917,898</u>
<b>Derived from:</b>		
Capital stock:		
Preferred (Note 3) .....	\$ 4,569,500	\$ 4,739,500
Common (Note 4) .....	7,037,316	7,037,310
Obligation to issue shares of common stock .....		775,500
Capital in excess of par value (Note 5) .....	37,904,109	37,656,379
Retained earnings (Note 2) .....	50,167,578	47,447,788
Less common stock in treasury, at cost (Note 4) .....	(249,362)	(738,579)
	<u>\$ 99,429,141</u>	<u>\$ 96,917,898</u>

See notes to financial statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1

Prior to April 27, 1963, only wholly-owned subsidiaries were consolidated and the company had no majority-owned subsidiaries. As of May 26, 1963, the company acquired effective majority interest (at May 1, 1965, 71%, currently 76%) in Fox Markets, Inc. through the purchase of convertible preferred stock. The consolidated financial statements include Fox Markets, Inc. from date of acquisition.

### Note 2

3 $\frac{3}{8}$ % debentures, \$14,561,000, due September 1, 1974, require semi-annual sinking fund payments of \$400,000 through March 1, 1969 and \$500,000 thereafter through March 1, 1974. The sinking fund requirements for the year ending April 30, 1966 have been anticipated.

4% debentures, \$21,137,300, due April 1, 1979, are convertible into common stock at \$32.94 per share through April 1, 1969. These debentures require semi-annual sinking fund payments beginning April 1, 1970 of 5% of the principal amount of the debentures outstanding on April 1, 1969.

The indentures covering the issuance of the debentures described above contain restrictions as to the payment of cash dividends and the redemption of shares of stock of the company. The maximum amount of retained earnings so restricted at May 1, 1965 was \$25,172,927.

### Note 3

Preferred stock is \$4.20 cumulative, \$15 par value; 142,615 shares are authorized, of which 45,695 are issued and outstanding. The company is obligated to set aside \$120,000 semi-annually as a sinking fund for the redemption of the preferred stock, which may be called for this purpose at \$100 per share plus accrued dividends.

### Note 4

Common stock is \$1 par value; 10,000,000 shares are authorized, of which 7,037,316 are issued, 11,800 are held in the company's treasury and 7,025,516 are outstanding.

At May 1, 1965, there were outstanding options granted to certain employees and officers to purchase 328,995 shares of common stock at \$21.81 and \$23.63 per share, such prices being 100% of the market price on the dates the options were granted.

As to 297,895 options, the price is \$21.81 per share. These options are exercisable on a cumulative basis after January 5, 1966 to January 5, 1970. As to 31,100 options, the price is \$23.63 per share. These options are exercisable on a cumulative basis to January 21, 1970.

### Note 5

Capital in excess of par value was increased during the year by the following:

Excess of stated value over cost of 1,700 shares of cumulative preferred stock retired	\$ 2,868
Excess of conversion price over par value of 6 shares of common stock issued for 4% convertible debentures	192
Excess of liability to issue shares of common stock over cost of treasury stock used to reduce such liability	244,670
	\$247,730

### Note 6

The provision for Federal income taxes has been reduced by \$783,000 and \$663,000 for the years ended in 1965 and 1964, respectively, representing 100% of the investment credit.

### Note 7

As of May 26, 1963, the company acquired all of the new preferred stock of Fox Markets, Inc. at a cost, subject to final determination, of approximately \$3,550,000. This preferred stock is convertible within three years from date of issuance into 65% of the outstanding common stock of Fox Markets, Inc. The company's equity in the consolidated net assets of this subsidiary, after adjustment to reduce specific assets (substantially property and equipment) from book value to fair value, exceeded the cost of such investment by \$1,868,872. Since this excess was represented by current assets (substantially cash and inventories) realized in the year ended May 2, 1964, it is included as a special credit.

### Note 8

For the year ended May 1, 1965, this amount results from the carryover of net operating loss of a subsidiary company. For the year ended May 2, 1964, it is comprised of the following: (1) carryover of net operating loss of subsidiary company, \$366,000; (2) adjustment of deferred taxes to reflect decrease in tax rates in the revenue act of 1964, \$235,000; (3) deferred portion of prior years' investment credit, \$208,000.

### Note 9

Costs and expenses include depreciation and amortization of \$10,706,641 and \$10,011,145 for the years ended in 1965 and 1964, respectively.

### Note 10

The company rents the majority of the premises occupied. At May 1, 1965, the minimum annual rental for such premises under 611 leases expiring more than three years after that date amounted to approximately \$19,970,000 plus, in some instances, certain taxes, insurance and other expenses.



CONSOLIDATED STATEMENT OF

*Source and Use of Funds*

FOOD FAIR STORES, INC. AND SUBSIDIARIES

	52 weeks ended May 1, 1965
<b>Funds provided from:</b>	
Net income and special credits .....	\$ 9,236,385
Charges against income not requiring funds:	
Depreciation and amortization .....	10,706,641
Deferred income tax .....	520,500
Total funds provided .....	<u>\$20,463,526</u>
<b>Funds used for:</b>	
Cash dividends .....	\$ 6,516,595
Property, plant and equipment additions, net .....	7,964,349
Reduction of long-term liabilities .....	1,985,677
Increase in investments .....	695,477
Retirement of preferred stock .....	167,132
Other items .....	412,530
Total funds used .....	<u>\$17,741,760</u>
<b>Increase in working capital .....</b>	<u>\$ 2,721,766</u>

LAVENTHOL, KREKSTEIN, GRIFFITH & CO.

*Certified Public Accountants*

1528 WALNUT STREET  
PHILADELPHIA, PA. 19102

The Board of Directors and Shareholders  
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc. and Subsidiaries at May 1, 1965 and the related consolidated statements of income, retained earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements of financial condition, income and retained earnings present fairly the financial position of Food Fair Stores, Inc. and Subsidiaries at May 1, 1965 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period; and the accompanying consolidated statement of source and use of funds presents fairly the information shown therein.

*Laventhol, Krekstein, Griffith & Co.*

July 8, 1965

# FOOD FAIR STORES, INC.

as of May 1, 1965

STATE	FOOD UNITS	DEPARTMENT STORES
PENNSYLVANIA	98	1
NEW JERSEY	85	4
FLORIDA	143	17
MARYLAND	50	—
NEW YORK	58	6
DELAWARE	10	—
CONNECTICUT	19	3
VIRGINIA	18	2
MASSACHUSETTS	—	12
NEW HAMPSHIRE	—	2
NORTH CAROLINA	—	1
GEORGIA	5	1
RHODE ISLAND	1	—
SOUTH CAROLINA	2	4
TOTAL	489	53

## FOX MARKETS, INC.

STATE	FOOD UNITS	DRUG STORES
CALIFORNIA	34	5
NEVADA	6	—
TOTAL	40	5

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# Officers and Directors

## OFFICERS

**SAMUEL FRIEDLAND**  
*Chairman of the Board*

**LOUIS STEIN**  
*President*

**MYER B. MARCUS**  
*Executive Vice President and  
President, J. M. Fields, Inc.*

**ARTHUR ROSENBERG**  
*Senior Vice President and  
President, Fox Markets, Inc.*

**ARNOLD D. COHEN**  
*Vice President,  
Director of Distribution*

**DAVID T. FRIEDLAND**  
*Vice President,  
Regional Director*

**HAROLD FRIEDLAND**  
*Vice President,  
Regional Director*

**JACK M. FRIEDLAND**  
*Vice President,  
Director of Real Estate Operations*

**J. ARVID JONSSON**  
*Vice President,  
Director of Industrial Relations*

**LOUIS KASOFF**  
*Vice President,  
Director of Construction*

**SAMUEL P. MANDELL**  
*Vice President,  
Director of Manufacturing Operations*

**HARRY PRIPSTEIN**  
*Vice President,  
Director of Merchandising*

**JOSEPH H. RASH**  
*Vice President,  
Director of Maryland Operations*

**HERMAN R. SILVER**  
*Vice President,  
Director of Meat Operations*

**B. F. LIEBER**  
*Secretary and Treasurer*

**EDWARD MANN**  
*Controller*

**SAMUEL FORMAN**  
*Assistant Secretary*

**HOWARD S. JACOBSEN**  
*Assistant Secretary*

## DIRECTORS

**D. FREDERICK BARTON**  
*Partner, Eastman Dillon,  
Union Securities & Co.*

**GEN. OMAR N. BRADLEY**  
*Chairman, Bulova Watch Co.*

**GEORGE FRIEDLAND**  
*Former Vice Chairman and President*

**JACK M. FRIEDLAND**  
*Vice President*

**SAMUEL FRIEDLAND**  
*Chairman of the Board*

**HESS KLINE**  
*Former Vice President and Treasurer*

**SAMUEL P. MANDELL**  
*Vice President*

**MYER B. MARCUS**  
*Executive Vice President*

**ARTHUR ROSENBERG**  
*Senior Vice President*

**HAROLD W. SCOTT**  
*Financial Consultant*

**HERMAN R. SILVER**  
*Vice President*

**LOUIS STEIN**  
*President*

**W. PAUL STILLMAN**  
*Chairman, The First National  
State Bank of New Jersey*

**EXECUTIVE OFFICES** 3175 John F. Kennedy Blvd., Philadelphia, Pennsylvania 19104

**GENERAL COUNSEL** Stein Abrams & Rosen, New York, New York

**TRANSFER AGENT** Registrar & Transfer Company, New York, New York

**REGISTRAR** Chase Manhattan Bank, New York, New York

**CERTIFIED PUBLIC ACCOUNTANTS** Laventhol, Krekstein, Griffith & Co., Philadelphia, Pennsylvania



**FOOD FAIR STORES, INC.**  
PHILADELPHIA, PENNSYLVANIA